

The need to find ways to ensure that all people have adequate supplies of food is one of the most pressing problems facing the international community today. On the following pages, a series of six articles that examine some very different aspects of the global food situation, and what can and is being done to improve it.

DOSSIER:
FOOD



Photo: Jaime Rojas

Time for a fair deal for farmers

W. David Hopper

There was no global strategy to conquer hunger when the World Food Conference was held in 1974. There is still no strategy. Worse, there is no effort to produce one, IDRC President Dr. W. David Hopper pointed out when he delivered the annual J. S. McLean Memorial Lecture at the University of Guelph.

He noted, however, that global strategies are being discussed in such fields as nuclear energy, the environment, smallpox eradication and monetary affairs, and added that it is possible to focus on the outlines of such a strategy for world food problems.

Dr. Hopper said that agricultural development rests on three legs: farm technology, economic incentives, and supply and market structures. Following are his comments on the economic incentives that would make farmers risk the adoption of improved farm technology.

National economic policies for fostering agricultural progress are obviously a matter for the sovereign decisions of individual countries. But there is an overwhelming body of evidence that

points to a singular failure in nearly all less-developed countries to adopt policies that provide an incentive for agricultural innovation and modernization.

The spread of high-yielding varieties in some parts of Asia, Latin America, and Africa has demonstrated to even the most confirmed skeptics that farmers will respond to personal economic opportunity if the price ratios and profit margins are attractive. They seldom are. The economic climate for the so-called "Green Revolution" in Asian grain production in the late 1960s was set by highly remunerative prices for farm output and low prices for fertilizer, irrigation water and other inputs. The ratios of prices paid to those received gave a strong encouragement for farmers to produce to the maximum capacity of their land. This structure of incentives followed several years of production shortfalls due to fickle weather. But as soon as the granaries began to fill again, the role of incentives in agricultural progress was forgotten, and public policies stressed, as they had in the past, the provision of cheap food for the urban consumer.

There seems little doubt that even if new, high-yielding varieties of wheat and rice had not been available to launch a green revolution, grain output would have risen in Asia as the rains returned, on the basis of the strong pull of profits from food cultivation alone. The reversal of incentive policies following the jump in the growth of output in the late 1960s contributed to a drop in this growth and provided powerful evidence that the supply function for food in the developing nations is responsive to price and profit changes. When new technological opportunities are added to an attractive structure of economic incentives, the traditional rural economies of the developing nations suddenly become alive and suffused with the ferment of change. This is most disturbing to those who argue that developing-nation farmers are stubbornly resistant to innovation, requiring either a sweeping social revolution or the passage of generations to alter significantly their patterns of economic behaviour. It just isn't so. Today, we can cite an overwhelming array of examples from all parts of the world to prove the contrary.

If the farmer is responsive to economic incentives, then the logical question is why are incentives neglected, especially in the face of significant food deficits in so many countries? It is not an easy question to answer. The majority of developing-country governments seeks the rapid modernization of their societies and economies, but most conceive of modernization as consisting of manufacturing industries and the physical elements and services associated with industrial-urban growth. The rural sector is regarded as the "traditional" economy from which will come labour for industry, renewable raw material commodities for processing or export, and cheap food for a growing urban proletariat. In this vision, the rural economy is a supplier of resources, it does not compete for investment allocations with the urban, industrial, or other "modern" sector infrastructures. The exploitation of the rural economy to build a modern urban-industrial economic base has long been a theme of the literature on economic development; it has an honoured history in the experience of Western industrial history in the experience of Western industrial nations; and it is hard to envisage an alternative in a world where external aid is meagre relative to need, and the material expectations of newly sovereign peoples place heavy and insistent pressures on their governments to build national industrial capacities that will open non-farm job opportunities and assure an ever-growing supply of industrial produced goodies for consumption.

If overall economic development is to be based on the exploitation of the farm and rural economies, it is hardly surprising that both investment finance for agriculture and incentive policies for greater farm production have little place in the plans and programs of Third World nations. Of course, there is always a part of any national economic plan devoted to the importance of agriculture and the rural economy — no politician can ignore the 60 to 80 percent of the population living and working in the rural regions of the nation. But aside from its prominent position as the third or fourth chapter in the plan document and the always careful assurance that agriculture and rural development have the paramount

call on the resources and talents of the nation, the implementation of this part of the plan invariably lags behind, often far behind, the efforts made on power, ports, steel plants, city expansion, and the many other aspects of a "modern" state.

The result after 30 years of building new countries, has been a failure of their agricultures to meet confidently and adequately the basic needs of their peoples. A development strategy based on the exploitation of the traditionally poor "traditional" sector has produced poor nations. The economic surplus of national rural hinterlands has fallen far short of what is needed to finance national aspirations for modernity. The bankruptcy of this exploitive policy is evident in the grim outlook for world food supplies in the next quarter-century. But this policy will likely not change, and, within the framework of the poor economies of the developing countries, cannot change, unless developed nations exercise greater assertiveness than they have in the past to direct a larger portion of their assistance to the support of agricultural modernization in Third World nations, and greater leverage on these nations to formulate and implement public policies that will encourage and reward farmer innovation.

A manifestation of the willingness of developing-country governments to exploit their own farm community for national development is the story of food aid, a story in which Canada plays and has played a prominent role. In brief, Canadian food aid, that is food purchased in Canada with money from CIDA for shipment to developing countries, has risen by over 19 percent per year since 1970. In 1976 it was approximately \$220 million or about one-quarter of all CIDA disbursements for international assistance.

Food aid shipped to countries or regions that are experiencing genuine famine emergencies is both necessary and laudable. Knowing this aid is or will be available should difficulties arise provides for low-income nations a sense of security against complete helplessness should disaster strike. And although this sense of security may be used by some governments to slight their own farm development with an untroubled conscience, this is not a valid criticism of emergency relief generously given by those who have an overabundance to those who are needy from events of tragedy. One cannot but be thankful that this nation can offer such succour; may we be able to do so in future.

But not all Canadian food aid goes to assist those in emergency need. Some of it is shipped as general economic assistance to poorer countries. The grain shipments are received by the aided government, sold to their local citizens through national marketing channels with the proceeds being used

to augment general revenues or for development projects agreed on between Canada and the partner nation. Seemingly a most sensible arrangement, using food grown in Canada, of which we have a surplus, as an external resource to help modernize a poor country. But who bears the real cost of the transfer? Someone must, for there is no free lunch even in a food-surplus nation. The Canadian taxpayer for one; they buy the grain. The Canadian consumer for another; they pay higher prices in Canada for the added market demand from CIDA. Most important for our purposes, however, is the cost borne by the farmers in the recipient nation; the price for their product is depressed by the foreign supply, a factor critical for incentive to innovate. The distribution of benefits, too, is interesting. These accrue to the Canadian farmer in the form of higher prices; to the urban consumer in the recipient nation in the form of lower prices; and to the revenues of the recipient country from the sale of the grain. In keeping with a policy of exploiting the rural economy as an avenue for development, the urban consumer is benefited by food aid at the cost of lower farm returns and sapped incentives for domestic production. In my view, our offers of food as general economic assistance carry with them an inherent threat to the building of a viable agriculture in the developing regions of the world.

Economic incentives for the families who produce the world's food and on whom agricultural progress rests are a much neglected part of an overall strategy for expanding global food production. They must receive attention in the future, and Canada, as a food-abundant nation, must be careful that its actions, however well and generously motivated, do not erode or destroy these important forces for innovation and development. □

The School of Agricultural Economics and Extension Education, Ontario Agricultural College, University of Guelph, hosts the annual J. S. McLean Memorial Lecture. Dr. Hopper's lecture has been published in IDRC's monograph series under the title Canada's Role in World Agricultural Development (IDRC-085e) and is available on request from the Centre's Publications Division, see p. 23 for details.